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Message Text

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S E C R E T SECTION 1 OF 5 BRASILIA 2018

E.O. 11652: GDS
TAGS: PFOR, BR
SUBJ: US-BRAZILIAN RELATIONS: ANTECEDENTS OF PRESENT SITUATION

REF: STATE 055040, BRASILIA 1955

SUMMARY: (1) THE EMBASSY'S CONTRIBUTION TO DEPARTMENT'S CURRENT REEXAMINATION OF BILATERAL RELATIONS WITH BRAZIL WILL BE IN THREE PARTS: (1) ANTECEDENTS OF THE PRESENT SITUATION, (2) MAIN ELEMENTS OF PRESENT SITUATION, (3) RECOMMENDATIONS FOR NEXT STEPS. THIS TELEGRAM CONTAINS PART ONE; OTHER PARTS WILL BE SENT IN SEPTELS.

(2) ANTECEDENTS OF THE PRESENT SITUATION ARE DISCUSSED IN TERMS OF: (1) INTERNAL BRAZILIAN ANTECEDENTS, INCLUDING (A) THE EFFECTS OF THE BRAZILIAN ELECTIONS AND (B) THE EFFECTS OF BRAZILIAN ECONOMIC CONDITIONS AND (2) THE IMPACT OF THE U.S. ELECTIONS. END SUMMARY

PART I. ANTECEDENTS OF THE PRESENT SITUATION

A. IMMEDIATE ORIGINS

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ANY EXAMINATION OF THE CIRCUMSTANCES, EVENTS AND ATTITUDES THAT HAVE RESULTED IN THE PRESENT BAD STATE OF US-BRAZILIAN RELATIONS BEGINS LOGICALLY IN THE PERIOD OF OCTOBER/NOVEMBER 1976. THE ROOTS OF THE GOB'S ATTITUDES LIE MUCH FARTHER BACK THAN THIS, OF COURSE, BUT THE ONSET OF THE ACUTE, AS CONTRASTED TO THE CHRONIC, PHASE OF DIFFICULTIES CAN BE REASONABLY PLACED IN THE PERIOD JUST

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BEFORE, DURING AND IMMEDIATELY AFTER THE MUNICIPAL ELECTIONS IN
BRAZIL AND THE PRESIDENTIAL ELECTIONS IN THE U.S.

B. INTERNAL BRAZILIAN ANTECEDENTS

1. THE EFFECTS OF THE BRAZILIAN ELECTIONS: THE
RESULTS OF THE MUNICIPAL ELECTIONS OF NOVEMBER 15 WERE
EXCELLENT FOR THE GEISEL ADMINISTRATION AND FOR THE
PRESIDENT HIMSELF, FROM A QUANTITATIVE POINT OF VIEW, THAT
IS, IN THE SIZE OF THE COUNTRY-WIDE MARGIN OF THE VOTE FOR
ARENA (MUCH LARGER THAN EVEN THE MOST OPTIMISTIC GOVERNMENT
LEADERS EXPECTED) AND IN THE PERCENTAGE OF MUNICIPIOS WON
BY THE GOVERNMENT. QUALITATIVELY, HOWEVER, THE RESULTS
WERE NOT SO GOOD; INDEED, THEY WERE WORRISOME. THE
STRONG SHOWING OF THE OPPOSITION MDB IN THE RELATIVELY
POLITICIZED MAJOR URBAN CENTERS AND IN THE VERY SENSITIVE
STATE OF RIO GRANDE DO SUL, A PARTICULAR OBJECT OF MILITARY
ATTENTION, DID NOT BODE WELL FOR THE GOVERNMENT'S POSITION
IN THE SCHEDULED 1978 ELECTIONS, IN WHICH THE PEOPLE ARE
SUPPOSED TO SHOOSE AN ENTIRE NEW FEDERAL CHAMBER OF DEPUTIES,
TWO-THIRDS OF THE FEDERAL SENATE, ALL THE STATE LEGISLATURES,
AND, FOR THE FIRST TIME SINCE 1968, ALL THE STATE GOVERNORS.
THE MDB PERFORMANCE IN CRITICAL AREAS WAS ALL THE MORE
TROUBLESOME IN THE LIGHT OF THE GOVERNMENT'S EXTENSIVE AND
IN SOME RESPECTS BLATANT EFFORTS TO HOBBLE MDB CAMPAIGNING
(E.G., THE FALCAO LAW) AND TO ASSIST ARENA CANDIDATES.
MOREOVER, THE 1978 ELECTIONS SHOULD LOGICALLY BE FOUGHT MORE ON
NATIONAL ISSUES THAN THE 1976 MUNICIPAL ELECTIONS, ANOTHER
FACTOR IMPROVING THE MDB'S PROSPECTS AND HEIGHTENING THE
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GOVERNMENT'S CONCERN.

THE UNCERTAIN, IF NOT BASICALLY UNSATISFACTORY, OUTCOME
OF THE MUNICIPAL ELECTIONS WAS REFLECTED IN THE DISTINCTLY
GUARDED RESPONSE BY THE GOVERNMENT. MOST POLITICAL
OBSERVERS, THE EMBASSY INCLUDED, HAD EXPECTED THAT EVEN A
PLAUSIBLY GOOD RESULT (IN TERMS, FOR EXAMPLE, OF THE OVERALL
VOTE MARGIN) WOULD PERMIT GEISEL TO PROCLAIM LOUDLY AND
CONVINCINGLY A VICTORY FOR THE REVOLUTION AND FOR HIMSELF
PERSONALLY, INASMUCH AS HE HAD ASSUMED THE MAJOR FOLE
IN THE ARENA CAMPAIGN. IT WAS ALSO EXPECTED THAT, AS A
VERY IMPORTANT COROLLARY, THE PRESIDENT'S POSITION IN
RELATION TO CONSERVATIVE AND HARD-LINE ELEMENTS IN THE
REGIME WOULD BE STRENGTHENED AND THAT, CONSEQUENTLY, THE
HOLDING OF THE ELECTIONS OF 1978 IN THE FORM PRESCRIBED BY
THE CONSTITUTION WOULD BE MORE LIKELY TO BE CONFIRMED. THERE WAS
EVEN A BELIEF THAT THE PRESIDENT WOULD BE ABLE AND WILLING TO
RESUME THE PROCESS OF "DISTENSAO" THAT HAD BEEN SUSPENDED
IN AUGUST 1975. ALL THESE EXPECTATIONS WERE BASED ON A

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GOVERNMENT SHOWING IN THE ELECTIONS THAT COULD PLAUSIBLY
BE CLAIMED AS GOOD; TO THE DEGREE THAT THE GOVERNMENT WERE
TO DO BETTER THAN THAT, THEN THE POSITIVE CONSEQUENCES FOR
GEISEL AND HIS POLICIES WOULD BE ENHANCED.

IN SPITE OF THE OPPORTUNITY AFFORDED BY THE EXCELLENT
QUANTITATIVE RESULTS OF THE 1976 ELECTIONS, THE GOVERNMENT
AND THE PRESIDENT MADE ONLY HALF-HEARTED EFFORTS TO PRESENT
THE OUTCOME AS A RINGING TRIUMPH AND AS A BASIS FOR MOVING
FORWARD ON POSITIVE AND MODESTLY LIBERALIZING POLITICAL
REFORMS. QUITE TO THE CONTRARY, THE FIRST POST-ELECTION
RUMORS WITH RESPECT TO REFORMS FREQUENTLY INCLUDED

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S E C R E T SECTION 2 OF 5 BRASILIA 2018
C O R R E C T E D C O P Y (FOR TEXT)
MEASURES NOT TO ALLOW A FREER PLAY OF POLITICAL FORCES
BUT RATHER TO GIMMICK THE 1978 ELECTIONS IN FAVOR OF THE
ASSURED, IF ARTIFICIAL, CONTINUANCE OF ARENA IN POWER.
THE FAILURE OF THE PLANALTO TO EXPLOIT IN ANY SIGNIFICANT WAY
THE QUANTITATIVE RESULTS OF THE ELCTIONS WAS ALMOST CERTAINLY
DUE TO THE REALIZATION THAT, QUALITATIVELY, THEY WERE NOT
REASSURING FOR 1978. THIS APPRECIATION WAS, OF COURSE,
CRITICAL IN TERMS OF THE FEAR WITHIN THE REGIME, MOST
PRONOUNCED NATURALLY IN THE MOST CONSERVATIVE SECTORS, OF A
POPULAR "REPUDIATION" OF THE REVOLUTION AS IT HAS EVOLVED
SINCE 1964 AND, WITH RESPECT TO POLITICAL REFORMS, OF ANY
WEAKENING OF THE ARBITRARY POWERS EMBODIED IN THE "EXCEPTIONAL
ACTS" ABOVE ALL, INSTITUTIONAL ACT 5 (AI-5).

SINCE THE NOVEMBER ELECTIONS, THERE HAVE BEEN
REFLECTIONS OF THIS FUNDAMENTAL APPRECIATION IN THE FORM

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OF SOME HARDENING OF THE GOVERNMENT'S ATTITUDES TOWARD THE OPPOSITION, THE PRESS, THE INCREASINGLY RESTIVE LIBERAL LEADERSHIP OF THE CATHOLIC CHURCH, AND THE INTELLECTUAL CLASS AND, MORE OPERATIONALLY IMPORTANT, AN AT LEAST TENTATIVE DECISION TO PRODUCE POLITICAL "REFORMS" THAT WOULD PREVENT THE ACCESSION OF THE OPPOSITION TO ANY APPRECIABLE PORTION OF POWER IN THE POLITICAL LIFE OF THE COUNTRY AND
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AT THE SAME TIME WOULD ENTAIL ONLY MODEST, IF ANY, RELAXATION OF THE ARBITRARY AUTHORITIES GRANTED IN AI-5. THE DISCUSSION OF REFORMS BETWEEN THE ARENA AND MDB LEADERSHIP HAS JUST BEGUN, AND, ALTHOUGH ITS PRODUCT WILL BE INFLUENCED BY MANY FACTORS, INCLUDING THE GOB'S STANCE TOWARD THE U.S., OUR PRESENT ESTIMATE IS THAT THE GOVERNMENT'S APPARENT PRESENT NEGATIVE AND DEFENSIVE STRATEGY WILL HOLD.

ONE OF THE MOST IMPORTANT FACTORS - PROBABLY THE SINGLE MOST IMPORTANT ONE -- AFFECTING THE NATURE AND SCOPE OF THE REFORM DEBATE, AND IN FACT THE ENTIRE POLITICAL DYNAMIC, IS THE QUESTION OF THE SUCCESSION TO THE PRESIDENCY. GEISEL HAS MADE CLEAR THAT HE WANTS TO CONTROL THE PROCESS OF SELECTION -- NOT NECESSARILY THE SELECTION ITSELF -- AND TO HOLD OFF THE INEVITABLY DISTURBING EFFECTS OF THE COMPETITION, PARTICULARLY ON MILITARY UNITY, UNTIL A TIME OF HIS OWN CHOOSING, WHICH, WE ESTIMATE, WOULD BE EARLY IN 1978. THIS, WE JUDGE, TO BE MORE WISHFUL AND PRACTICAL BECAUSE THE PRIZE IS A VERY BIG ONE AND AMBITIONS KEEN. NO MATTER HOW SUCCESSFUL GEISEL MAY BE IN HIS "COOL-IT" POLICY, THE ISSUE OF THE SUCCESSION FUNCTIONS ONLY BARELY BELOW THE SURFACE IN THE ADDRESS TO MAJOR NATIONAL QUESTIONS, WHETHER THEY INVOLVE INTERNAL MATTERS, SUCH AS THE STATE OF THE ECONOMY, OR INTERNATIONAL QUESTIONS, SUCH AS THOSE INVOLVING THE U.S.

2. THE EFFECTS OF ECONOMIC CONDITIONS

IN THE SECOND HALF OF 1976, THE GEISEL ADMINISTRATION HAD FINALLY TO FACE THE FACT THAT THE ECONOMY WAS IN SERIOUS TROUBLE AND THAT THE GOVERNMENT COULD NO LONGER RELY ON THE QUICK FIXES, EXPEDIENTS, AND PARTIAL MEASURES THAT HAD CHARACTERIZED THE POLICY RESPONSE TO THE POST-1973 WORLD ECONOMIC CONJUNCTURE. ALTHOUGH REAL GROWTH IN 1976 WAS STRONG -- TOO STRONG -- AND FOREIGN
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EXCHANGE RESERVES WERE HIGH (SOMEWHAT ARTIFICALLY), THE CURRENT ACCOUNT DEFICIT FOR 1976 CONTINUED UNACCEPTABLY LARGE, THE DEBT BURDEN WAS INCREASING AT AN ALTOGETHER TOO RAPID RATE, AND, MOST IMPORTANT, INFLATION WAS THREATENING TO GET OUT OF CONTROL.

BY THE END OF NOVEMBER 1976, WITH THE ANNOUNCED REDUCTIONS IN PUBLIC SECTOR INVESTMENTS FOR 1977, THE GEISEL GOVERNMENT COMPLETED THE PROCESS, BEGUN AROUND MID-YEAR, OF IMPLEMENTING LONG-DELAYED MEASURES OF AUSTERITY AND RESTRICTIONS REQUIRED TO CONFRONT WHAT WAS RAPIDLY BECOMING A CRISIS. THE COMPLEX OF MEASURES IS ESSENTIALLY ORTHODOX AND SOUND, BUT THEY INVOLVE A CERTAIN AMOUNT OF SACRIFICE IN THE SENSITIVE SECTORS OF THE ENTERPRENEURIAL CLASS, HISTORICALLY THE SECOND PILLAR OF THE REVOLUTIONARY REGIME, AND OF LABOR, PARTICULARLY INDUSTRIAL LABOR, A TRADITIONAL AND CLOSELY SURVEILLED FOCUS OF CONCERN FOR THE REVOLUTION. THE GREAT CONCERN OF THE GOVERNMENT HAS BEEN THAT THE STEPS DESIGNED TO COOL OFF THE ECONOMY NOT PRODUCE A RECESSION AND A SIGNIFICANT RISE IN UNEMPLOYMENT THAT, COUPLED WITH A RETURN TO A WAGES POLICY THAT IN EFFECT REDUCES REAL INCOME TO THE WORKER, COULD PRODUCE DANGEROUS TENSIONS AND AT THE VERY LEAST WORSEN THE OUTLOOK FOR THE GOVERNMENT IN THE 1978 ELECTIONS.

THE MEASURES ANNOUNCED IN THE LAST QUARTER OF 1976 OR FORESHADOWED DURING THAT PERIOD FOR PROMULGATION IN 1977 -- NOTABLE AMONG THE LATTER BEING THE PROGRAMS TO "RATIONALIZE" PETROLEUM CONSUMPTION -- HAD A DISTURBING AND DEPRESSING EFFECT ON PUBLIC OPINION IN GENERAL AND IN THE ENTREPRENEURIAL CLASS IN PARTICULAR, SECTORS OF WHICH WERE ALREADY CLAMORING AGAINST "STATIZATION" OF THE ECONOMY AND THE UNBRIDLED POWER OF THE ECONOMIC BUREAUCRACY. THIS UNEASINESS WAS HEIGHTENED BY THE UNOPTIMISTIC END-OF-THE-YEAR DECLARATIONS OF GEISEL HIMSELF. THESE CONTRIBUTED TO THE ALREADY SIGNIFICANTLY

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INCREASING CRITICISMS OF GEISEL PERSONALLY, CRITICISM DIRECTED AGAINST HIS "CLOSED" AND SECRETIVE STYLE, HIS CONCENTRATION IN HIMSELF OF AUTHORITY TO MAKE DECISIONS, AND THE ARBITRARY QUALITY OF SOME OF THE DECISIONS.

THESE COMPLAINTS, APPREHENSIONS AND RESENTMENTS WERE INTENSIFIED AND FOCUSSED BY THE ANNOUNCEMENT, IN FEBRUARY 1977, OF THE PRIOR DEPOSIT PLAY TO REDUCE GASOLINE CONSUMPTION. INTENSELY UNPOPULAR WITH THE MIDDLE-CLASS CAR OWNER WHO IS STILL IN THE HONEYMOON STAGE WITH THE AUTOMIBILE, ATTACKED AS A POORLY CONSIDERED, UNCONSTITUTIONAL, AND SECRETLY DEVELOPED GIMMICK THAT WOULD HAVE SEVERELY INFLATIONARY EFFECTS, THE MEASURE, APART FROM ITS NEGATIVE PHYCHOLOGICAL IMPACT, RAISED THE SPECTRE OF A RECESSION IN THE AUTOMOTIVE MANUFACTURING INDUSTRY, HISTORICALLY THE LEAD ELEMENT OF BRAZIL'S GROWTH AND THE SINGLE LARGEST INDUSTRIAL EMPLOYER.

THE COMBINATION OF ALL THESE CONDITIONS, SOME LONG-STANDING, SOME IMMEDIATE, PRODUCED THE AMORPHOUS, CONFUSED, DISORGANIZED BUT IMPORTANT VENTURE OF SOME SAO PAULO ENTRE-PRENEURERS INTO DIRECT CRITICISM OF THE REGIME, ACCOMPANIED BY SUGGESTIONS, HITHERTO UNUSUAL, CONCERNING THE NEED FOR LIBERALIZATION OF THE POLITICAL SYSTEM (FOR MOST, AS A MEANS

OF PERMITTING GREATER INPUTS TO THE DECISION-MAKING PROCESS). THE GOVERNMENT, THROUGH A COMBINATION OF INTIMIDATORY AND PLACATORY GESTURES, DAMPED DOWN THE FLURRY, BUT ITS SIGNIFICANCE REMAINED.

FOR THE REGIME, THE MEANING OF THE SAO PAULO INCIDENT RESIDES NOT ONLY IN THE EVIDENCE OF CRACKS IN A HERETOFORE SOLID BULWARK OF THE REVOLUTION BUT ALSO IN ITS RELEVANCE TO THE "LEGITIMACY" OF THE "EVOLVED" REVOLUTION. IN MANY RESPECTS, THE REAL SOURCE OF LEGITIMACY OF THE REVOLUTION, AS IT PROGRESSIVELY DEPARTED FROM AND DISTORTED ITS ORIGINAL PURPOSES UNDER CASTELLO BRANCO (PURPOSES WE HAVE ALWAYS BELIEVED GEISEL WAS SINCERELY DESIROUS OF RESTORING), WAS ITS SUCCESS IN TERMS OF ECONOMIC GROWTH, GROWTH AS GOOD IN ITSELF AND AS THE MOTIVE FORCE FOR THE REALIZATION OF BRAZIL'S ASPIRATIONS IN THE WORLD, WITH THE DETERIORATION OF THE ECONOMY SINCE 1974, THE BASE OF LEGITIMACY HAS CERTAINLY ERODED. ALTHOUGH GENERAL PUBLIC OPINION IN

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BRAZIL CERTAINLY DOES NOT THINK IN THESE QUASI-PHILOSOPHICAL TERMS (ANALYSTS AND THOUGHTFUL PERSONS IN AND OUT OF GOVERNMENT DO), THE POPULAR MANIFESTATION OF THIS EROSION HAS BEEN A CERTAIN FATIGUE, A CERTAIN QUESTIONING OF THE CONTINUING JUSTIFICATION FOR AN IMMOBILE AND SOMETIMES ARBITRARY POLITICAL REGIME THAT IS NOT PRODUCING THE ECONOMIC BENEFITS AND PROMISES OF THE GOLDEN AND PRIDEFUL YEARS. ALARUMS AND EXCURSIONS, RECENTLY INCREASED, ABOUT THE THREAT OF "SUBVERSION" DO NOT, IT SEEMS TO US, PRODUCE THE SAME EFFECT AFTER THIRTEEN YEARS THAT THEY ONCE DID, ESPECIALLY SINCE SUCCESSIVE GOVERNMENTS HAVE CLAIMED, WITH REASON, THAT THE "COMMUNIST THREAT" IS UNDER CONTROL.

WHATEVER THE INMOST MOTIVES OF THE PUBLIC AT LRGE, THE FACT REMAINS THAT, IN PUBLIC OPINION POLL COMMISSIONED BY THE GOVERNMENT AND CONDUCTED IN FEBRUARY, THE RETURNS SHOWED, ACCORDING TO PRESS REPORTS NOT DENIED BY OFFICIAL SPOKESMEN, A DISTURBING DROP IN THE POPULARITY OF THE

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GOVERNMENT AND OF GEISEL HIMSELF -- THE LATTER ALL THE MORE SIGNIFICANT BECAUSE OF THE APPARENTLY GENUINE POPULAR REGARD FOR HIM PERSONALLY THAT HAD GROWN DURING THE ELECTORAL PERIOD. THIS POLL, ACCORDING TO THE PRESS, WAS AN IMPORTANT FACTOR IN THE DECISION TO REVOKE THE PRIOR DEPOSIT SCHEME INTENDED TO REDUCE GASOLINE CONSUMPTION. AS A MEANS OF REGAINING POPULARITY AND INCREASING SUPPORT, THIS DECISION HAS HAD AN UNDENIABLY POSITIVE EFFECT FROM THE GOVERNMENT'S STANDPOINT. NEVERTHELESS, THE ENDURING NATURE OF THIS CONCESSION TO PUBLIC OPINION IS NOT CERTAIN BECAUSE SUCCESS OF THE GOVERNMENT'S ECONOMIC POLICIES IS NOT ASSURED. THE BALANCE OF PAYMENTS LOOKS GOOD, BECAUSE OF THE ENORMOUS WINDFALL IN COFFEE THAT WILL ALMOST CERTAINLY PRODUCE AT LEAST NEAR BALANCE ON THE TRADE ACCOUNT AND A CORRESPONDING DECLINE IN THE CURRENT ACCOUNT DEFICIT. THE ALL-IMPORTANT ATTACK ON INFLATION HAS NOT PRODUCED, HOWEVER, THE HOPED-FOR EFFECTS THUS FAR IN 1977, AND THE GOVERNMENT IS CLEARLY WORRIED. MOREOVER, AS WITH ALL SPONSORS OF AUSTERITY PROGRAMS, THE GOVERNMENT WILL BE FACED DURING COMING MONTHS WITH PRESSURES TO RELAX, IF NOT TO FORGET THE WHOLE THING. THE MARGINS ARE THIN, AND THE TEMPTATION TO CURRY -- OR AVOID LOSSES OF - GENERAL OR SECTORAL POPULARITY WILL BE GREAT. SHOULD THE GOVERNMENT, HOWEVER, GIVE IN TO THESE PRESSURES AND RELAX PREMATURELY ITS AUSTERITY PROGRAM, IT COULD RESULT IN SEVERE ECONOMIC DISRUPTIONS, INCLUDING DANGEROUSLY HIGH LEVELS OF INFLATION AND POSSIBLE LOSS OF FOREIGN INVESTORS' CONFIDENCE. EVERYTHING DEPENDS ON THE STEADFASTNESS OF THE REGIME -- AND THE ALTERNATE MEANS OF ENSURING SUPPORT IN DIFFICULT CIRCUMSTANCES.

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3. SUMMARY OF THE EFFECTS OF BRAZILIAN INTERNAL
POLITICAL AND ECONOMIC CONDITIONS:

THE BRAZILIAN REGIME THAT PREPRED ITSELF

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S E C R E T SECTION 4 OF 5 BRASILIA 2018

TO DEAL WITH A NEW U.S. ADMINISTRATION IN MID-JANUARY
WAS BESET BY INTERNAL POLITICAL AND ECONOMIC PROBLEMS
OF AN INTERLOCKING NATURE THAT HAD LEFT IT UNSURE OF ITS
POPULARITY, UNSURE OF THE POLITICAL DIRECTIONS IN WHICH
IT COULD MOVE, UNSURE OF THE CORRECTNESS OF ITS ECONOMIC
POLICIES AND UNSURE OF ITSELF. IT WAS BEING PRESSED ON
THE ONE SIDE BY A GROWING INSISTENCE BY IMPORTANT SECTORS
OF PUBLIC OPINION, NOT ALL OF THEM BY ANY MEANS ASSOCIATED
WITH THE MDB, FOR THE END, OR AT LEAST THE RELAXATION, OF
POLITICAL IMMOBILITY AND ARBITRARINESS AND FOR GREATER
ENTREPRENEURIAL PARTICIPATION IN THE MAKING OF ECONOMIC
POLICY AND A SLACKENING OR TERMINATION OF THE TENDENCY
TOWARD AN EVEN GREATER ECONOMIC ROLE OF THE STATE. THIS
INSISTENCE WAS AMPLIFIED BY A LARGELY UNCENSORED AND INCREASINGLY
AGGRESSIVE PRESS. ON THE OTHER SIDE, THE
GOVERNMENT WAS BEING PRESSURED BY CONSERVATIVE AND HARD-
LINE SECTORS WITHIN THE "SYSTEM" TO HOLD FAST TO A FIRM
POLITICAL LINE OR EVEN TO TIGHTEN ITS ALREADY EXTENSIVE
CONTROLS. ON ECONOMIC POLICY, THESE SAME ELEMENTS WERE
DISTURBED AND WORRIED BY THE UNEVEN ECONOMIC PERFORMANCE
AND TENDED TO BLAME INEPTNESS OF THE ECONOMIC MINISTERS.

THESE CONFLICTING PRESSURES WERE BEING EXERTED AT
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A TIME WHEN CRITICAL DECISIONS OF A POLITICAL NATURE WERE LOOMING: THE ORGANIZATION OF THE 1978 ELECTIONS AND THE PRESIDENTIAL SUCCESSION. IN BOTH THESE QUESTIONS, THE ENTIRE POLITICAL STRATEGY OF THE GEISEL ADMINISTRATION -- AND THE POLITICAL ELGACY IT IS TO BEQUEATH TO ITS SUCCESSOR AND TO HISTORY -- WERE CAUGHT UP. IT IS NOT TO BE WONDERED AT THAT THE ADMINISTRATION WAS BETRAYING LACK OF POISE, INDECISIVENESS, AND JITTERINESS, AND THAT ITS NERVE ENDS WERE EXPOSED.

C. THE IMPACT OF THE U.S. ELECTIONS

THE SENIOR MEMBERS OF THE GEISEL ADMINISTRATION, INCLUDING THE PRESIDENT HIMSELF,MADE NO SECRET IN PRIVATE OF THEIR INTENSE INTEREST IN THE U.S. ELECTIONS AND OF THEIR STRONG PARTISANSHIP IN FAVOR OF PRESIDENT FORD. FROM TIME TO TIME, THIS PRIVATE REFERENCE WOULD BE REFLECTED, WITHOUT SPECIFIC ATTRIBUTION, IN THE BRAZILIAN PRESS. A GOOD PART OF THIS ATTITUDE WAS THE NATURAL CONSEQUENCE OF THE CONSERVATIVE NATURE OF THE REGIME, MANY OF WHOSE SENIOR OFFICIALS HAD CONSIDERED WATERGATE LESE MAJESTE, IF NOT WORSE, AND TO WHOM "LIBERALS" ARE ANATHEMA. ANOTHER IMPORTANT FACTOR WAS THE GENERALLY VERY GOOD TO EXCELLENT RELATIONS WITH THE REPUBLICAN ADMINISTRATION, DURING WHICH TRADE ISSUES REPRESENTED THE PRINCIPAL AREAS OF FRICTION, THE ISSUES OF NUCLEAR ENERGY AND HUMAN RIGHTS BEING EITHER LATENT OR PLAYED DOWN. THE RELATIONSHIP WAS SYMBOLIZED FOR THE GOB IN THE SILVEIRA-KISSINGER AND SIMON-SIMONSEN TIES AND ENSHRINED IN THE MEMORANDUM OF UNDERSTANDING OF FEBRUARY 1976. BY NO MEANS LEAST OF THE REASONS FOR THE GOB'S UNABASHED ROOTING FOR A FORD VICTORY WAS CONCERN OVER STATEMENTS MADE IN THE CARTER CAMPAIGN BY THE CANDIDATE HIMSELF OR MEMBERS OF HIS STAFF ABOUT NUCLEAR PROLIFERATION, HUMAN RITHTS, THE MOU AND MILITARY GOVERNMENTS.

WITH PRESIDENT CARTER'S ELECTION, THE ATTITUDE WITHIN

THE GOB BECAME A COMPOUND OF APPREHENSION AND CONDESCENSION, APPREHANSION ABOUT WHAT WAS IN STORE FOR BRAZIL ON CRITICAL ISSUES AND CONDESCENSION TOWARD THE "AMATEURISHNESS" OF THE PRESIDENT AND MANY OF HIS SENIOR APPOINTEES, THE INEVITABILITY OF A SHIFT FROM "IDEALISM", TO "REALISM", AND THE NECESSITY FOR THE U.S. TO ADAPT TO BRAZIL AND ITS POSITION ("TO DIGEST BRAZIL", IN SILVEIRA'S PUBLIC PHRASE).

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MORE IMPORTANT IN AN OPERATIONAL SENSE WAS THE STRIKING
PHENOMENON OF THE GOB'S NEARLY TOTAL READINESS TO ASCRIBE
ALL POLICY CONFLICTS TO THE NEW ADMINISTRATION AND TO REFUSE
TO ACKNOWLEDGE THEIR ROOTS IN THE PREVIOUS ADMINISTRATION.
IT WAS AS IF KEY PERSONALITIES OF THE GOB HAD CLANGED
SHUT A DOOR ON NOVEMBER 2, LOOKING BACK ON WHAT, IN THE
SPECIAL BRAZILIAN PERCEPTION, APPEARED TO BE MORE
SYMPATHETIC, RESPONSIVE, AND SKILLED ADMINISTRATION.
THIS UNREAL DISTINCTION, THIS STUBBORN REFUSAL TO GIVE
WEIGHT TO THE ORIGIN AND THE CONTINUITY OF POLICIES AND
PROBLEMS EXTENDED ACROSS THE BOARD -- NUCLEAR MATTERS,
THE HUMAN RIGHTS REPORT, TRADE DISPUTES -- DESPITE OUR
BEST EFFORTS TO AFFORD PROPER PERSPECTIVE. THE FACT THAT
THE FORD OCTOBER 28 DECLARATION OF POLICY ON NON-PROLIFERA-
TION HAD THE SAME KEY ELEMENTS AS THE CARTER ADMINISTRATION'S
POLICY; THE FACT THAT THE HUMAN RIGHTS REPORT IS A REQUIRE-
MENT OF A LAW SIGNED IN JUNE 1976 AND INVOLVES AN INEXORABLE
PROCESS, IN WHICH THE ONLY ACTION OF THE CARTER ADMINISTRA-
TION AFFECTING BRAZIL WAS THE POSITIVE ONE OF PROPOSING
UNDIMINISHED FUNDS FOR THE BRAZILIAN ARMED FORCES; THE FACT
THAT THE CVD ACTIONS AND THE ITC RECOMMENDATIONS ON SHOES
GO BACK TO PROCESSES BEGUN WELL BEFORE THE ELECTION; THE
FACT THAT ALL OF THE BILATERAL CONFLICTS INHERENT IN THESE
QUESTIONS WOULD HAVE ARISEN IN THE SAME TIME FRAME AND IN
MORE OR LESS THE SAME MANNER NO MATTER HOW OUR ELECTION
HAD COME OUT -- ALL OF THESE FACTS ARE DISCOUNTED IN

SECRET

NNN

SECRET

PAGE 01 BRASIL 02018 05 OF 05 151807Z
ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 SSO-00 NSCE-00 INRE-00 PM-04
NSC-05 SP-02 SS-15 INR-07 CIAE-00 DODE-00 EB-08 DHA-02
L-03 /057 W
----------151904Z 043187 /44
O R 151605Z MAR 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEDIATE 556
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

S E C R E T SECTION 5 OF 5 BRASILIA 2018

PRACTICE BY MOST BRAZILIAN AUTHORITIES, EVEN THOUGH MANY
OF THEM ACKNOWLEDGE THEM INTELLECTUALLY. FOR THESE

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AUTHORITIES, NO MATTER HOW SOPHISTICATED, THE CARTER ADMIN-
ISTRATION IS THE INSTITUTIONAL DEVIL AND THE PRESIDENT
HIMSELF THE PERSONAL DEVIL.

IT WILL BE UNDERSTOOD THAT THESE JUDGMENTS AND
ATTITUDES ARE NOT EXPRESSED FOR PUBLICATION, WITH RARE
EXCEPTIONS SUCH AS THE LABELLING OF THE PRESIDENT AS BEING
"IMMATURE" FOR HIS RESPONSIBILITIES BY THE ERRATIC BUT WELL-
CONNECTED LEADER OF THE GOVERNMENT IN THE CHAMBER OF
DEPUTIES. THEY ARE VOICED PRIVATELY AND OFTEN, HOWEVER,
AND THEIR SUBSTANCE DOES FIND ITS WAY INTO THE PRESS.
SIGNIFICANTLY, THE GOB TO OUR KNOWLEDGE HAS NEVER TAKEN THE
TROUBLE QUIETLY TO PROVIDE PERSPECTIVE ON THE FACTS.

KEYED UP APPREHENSIVELY AND COMBATIVELY IN EXPECTATION
OF THE FIRST UTTERANCE ABOUT BRAZIL BY THE PRESIDENT-ELECT,
THE GOB DID NOT HAVE LONG TO WAIT. THE CURRENT ACUTE
PHASE OF THE DETERIORATION OF US-BRAZILIAN RELATIONS BEGAN
WITH A BANG WITH THE REACTION TO THE PRESIDENT-ELECT'S
PRESS CONFERENCE STATEMENT OF NOVEMBER 15 CONCERNING THE
FRG-GOB NUCLEAR AGREEMENT. THE INTERACTION OF BRAZILIAN
SECRET

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INTERNAL CONDITIONS AND US-BRAZILIAN POLICY DIFFERENCES,
ONCE STARTED, HAS RAPIDLY PRODUCED THE PRESENT
UNHEALTHY SITUATION.
CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, FOREIGN RELATIONS, PROGRESS REPORTS, ELECTION FORECASTS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770089-0023
Format: TEL
From: BRASILIA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770360/aaaacajm.tel
Line Count: 579
Litigation Code IDs:
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Litigation History:
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Office: ACTION ARA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: 77 STATE 55040, 77 BRASILIA 1955
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3111340
Secure: OPEN
Status: NATIVE
Subject: US-BRAZILIAN RELATIONS: ANTECEDENTS OF PRESENT SITUATION
TAGS: PFOR, BR
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/eb3cf8b7-c288-dd11-92da-001cc4696bcc
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